

MINUTES

Audit Committee of Roanoke City Council

Location: Council Conference Room
Noel C. Taylor Municipal Building, Room 451 South

Date: March 7, 2018

Time: 4:00 p.m. to 4:51 p.m.

Attendees:

| Audit Committee Member | Present (Y/N) |
|-------------------------------|----------------------|
| William Bestpitch (Chair) | Y |
| Anita Price (Vice-Chair) | N |
| Michelle Dykstra (Member) | Y |
| Sherman Lea (Ex-Officio) | N |

Tasha Burkett, Information Systems Auditor
Dan Callaghan, City Attorney
Drew Harmon, Municipal Auditor
Bob Cowell, City Manager
Dawn Hope Mullins, Assistant Municipal Auditor
Wayne Parker, Senior Auditor
Emma Coole, Senior Auditor
Amelia Merchant, Director of Finance
Paul Workman, Acting Accounting Supervisor
Andrea Trent, Manager of Retirement Services
Sherman Stovall, Assistant City Manager for Operations
Brian Townsend, Assistant City Manager for Community Development
Rob Churchman, Partner, Cherry Bekaert
Randy Burton, II, Partner, Cherry Bekaert

1. Call to Order:

Mr. Bestpitch called the meeting to order at 4:00 p.m.

2. Approval of the Minutes from the December 13th Meeting:

Mr. Bestpitch asked if there were any corrections to the minutes. Hearing none, the minutes were received and filed as written.

3. Review Results of Financial Audit for the Year Ending 6/30/17:

Mr. Churchman referred everyone to the printed presentation provided. He discussed the purpose of the presentation and reviewed each section in order. Mr. Churchman highlighted the overall results:

- Unmodified opinion on the financial statements
- A material weakness of controls over financial reporting was cited due to a prior year restatement for debt that should have been reported in the stormwater fund in FY16, and; cash reconciliations that were not performed timely.
- Unmodified opinion on controls over grant compliance
- Weldon Cooper Center Local Finance Survey filed ten (10) days late
- One VRS payment was late (after the 10th of the month)
- Jail Inmates did not sign forms as required in a couple of instances
- Management finding related to timely review and removal of employee system access

Mr. Churchman covered the required communications, noting that management cooperated throughout the audit and provided all the records, information and representations requested by the auditors. He certified that the firm and its employees performed their work in an independent and objective manner.

Planning:

Mr. Churchman reviewed the plans for the FY18 audit, starting on page 12 of the presentation. The firm will be providing services consistent with prior years. Planning with the city staff will begin in late April; interim work begins May or June. Final fieldwork begins in September and a CAFR should be completed by November 30. The most significant change in accounting standards for FY18 requires the City to record a liability for other post-employment benefits (OPEB) on the face of its financial statements.

There were no questions from the Committee. Mr. Harmon thanked Ms. Mullins for her leadership in completing the CAFR. He also thanked Ms. Burkett and Ms. Coole for their significant contributions. Mr. Harmon also thanked Ms. Merchant and Mr. Callaghan for their assistance and responsiveness as the audit was being finalized. Finally, he thanked Mr. Churchman for his extraordinary efforts to complete the audit work in time to meet the GFOA filing deadline.

Mr. Bestpitch noted that it was very gratifying to have such a team effort and to see so many people willing to step up and take on additional duties and responsibilities. He is hopeful that the stage has been set for success and that the coming year will go smoother. Mr. Bestpitch stated that everyone's efforts this year have been noted and very much appreciated.

There were no further questions or discussion.

4. Follow-Up Report – Right of Way Maintenance:

Mr. Harmon noted there were four issues from the original audit requiring follow up. Based on the results of the audit, three of the four issues were satisfactorily addressed. The one remaining issue relates to employees completing required OSHA training. Employees receive informal training on safe operation of their equipment from a supervisor before working on the right of way. This includes use of protective equipment, such as hearing and eye protection. However, this training does not satisfy all of the OSHA requirements. Management's goal is for employees to have the formal OSHA training within 60 days of hire. Typically, new employees have to complete orientation within this timeframe, which includes the required OSHA training. However, seasonal employees do not attend new hire orientation. A plan has been developed to train ROW employees early in the mowing season. Auditing will conduct another follow up audit next year to confirm the issue has been addressed.

Mr. Bestpitch asked if the City contracted with companies to perform some of the ROW maintenance. Mr. Stovall confirmed that the City does contract for some work. Mr. Bestpitch asked if the city was responsible for ensuring the contractors' employees received the required OSHA training. Mr. Stovall and Mr. Harmon responded that the contractor is solely responsible for ensuring this training is provided.

Hearing no further questions, the report was received and filed.

5. Revenue Project Update

Mr. Harmon provided an overview of the project. All tax assessment and collection duties have been moved under the offices of the Commissioner of the Revenue and City Treasurer. The Department of Finance has been reorganized to include the Budget department and is responsible for expenditure and revenue forecasting. A revenue team that includes the Treasurer, Commissioner, City Attorney, City Auditor, Director of Finance, and the City Manager's office meets monthly to review revenue numbers. Pending items include completing signed agreements with the elected officers, revision of the cigarette tax ordinance, and stabilizing the legacy accounts receivable system until a new system is installed.

As discussed at a prior committee meeting, the city has been reviewing tax and treasury software from PCI for several months. A contract for \$1.3 million was negotiated and signed on March 1, 2018. This includes licensing, installation services, and support. It also includes money to upgrade to the PCI's browser based system in a future year. Year two support costs are \$124,000 and increase annually based on inflation with a cap of 5%.

The new system will include a customer portal so that customers can file and pay online. The city will bring all modules of the system live at one time to avoid the expense of building temporary interfaces. The city's goal is to implement the whole system in 24 months. The availability of staff and the condition of the legacy system data will be two key factors in meeting this goal.

Mr. Harmon reviewed the early stages of implementation including validation of functional requirements, business process reviews, and base system installation. Later stages of the project will be covered in future meetings. Mr. Bestpitch commented that this project has been a longtime in coming and thanked everyone for their cooperation and efforts.

Hearing no further questions, the report was received and filed.

6. Hotline Update

Ms. Dykstra asked if the reports about drugs and theft involved city employees. Mr. Harmon responded that city employees were not implicated.

Mr. Bestpitch asked if the one substantiated report was still on track in terms of addressing the employee's needs. Mr. Harmon responded "yes" and felt management had taken the appropriate steps.

Hearing no further questions, the report was received and filed.

7. Review Auditing Department Budget

Mr. Harmon noted that internal auditing standards require reviewing the Auditing department's budget with the audit committee to ensure any concerns about underfunding are discussed. Mr. Harmon stated that city management has been supportive of Auditing and that the department has tried to be frugal in its spending. He noted the staff listing on page 5 showing certifications and time at the city.

Mr. Bestpitch welcomed Emma Coole to the Auditing department and wished Wayne Parker well in his planned retirement in April.

Hearing no further questions, the report was received and filed.

8. Other Business:

None.

9. Adjournment:

Mr. Bestpitch adjourned the meeting at 4:51 p.m.